

## **PIKE 2011 TRENDING ACTIVITY SUMMARY**

A summary of activities is listed below that were used during the 2011 trending project. Also a summary of the activities during the transition phase from 2006 throughout 2009, and those 2010 reassessment activities which have a bearing on the 2011 trending analysis.

Pike County has one of the smallest populations in the entire state with one high school serving the entire county. The primary industry is coal mining and electricity production. Beyond the coal mines and the two power plants located in the county there is a very limited industrial base. There are no manufacturing facilities within the county. The commercial sector is very limited with little or no growth in several years. The residential sector is primarily rural with a handful of subdivisions in Washington Township that were started in the 70's and 80's.

**(1) Correcting Property Class Codes.** During the 2006 trending process, the property class codes of all parcels (commercial, industrial) involved in the re-trend were rechecked for accuracy. There were multiple state-assessed (RR distributable property) parcels that were incorrectly listed as industrial vacant parcels. There were also several parcels owned by Hoosier Energy and Indianapolis Power and Light misclassified as Industrial, instead of local assessed utility. There were also multiple exempt parcels including churches that were miscoded as commercial. Those codes were changed to match the corresponding exempt classification.

Following the revision of the commercial and industrial class codes, the Assessor's office began reviewing the class codes of residential and agricultural class codes. The process is still ongoing, but a very large number of class codes have been changed to date, primarily those involving platted vs. non-platted legal descriptions. As trending, and now the 2012 reassessment progresses, *continued revision of the codes should improve the accuracy of any reports that are ran using class codes as the search indicator.*

During the 2009 project, all parcels in Lockhart Township were reviewed to determine the accuracy of class codes. During the 2010 and 2011 projects, the class codes in Logan Township, Monroe Township, The Town of Spurgeon, Winslow Town, Patoka Township and Marion Township have also been reviewed with multiple class codes being corrected.

**(2) Neighborhood Review.** The boundaries of each neighborhood were reviewed and *significant* changes were made involving the makeup of various neighborhoods.

When neighborhood delineation's were finalized during the 2002 general reassessment the neighborhood boundaries tended to follow the lines of newer subdivisions or older platted areas. This facilitated the process of setting land values, and simplified data collection and data entry procedures. However, the net result has been an over-stratification of neighborhoods. In prior years, the county has had a very large number of small neighborhoods, primarily in incorporated areas.

During 2008, many of the smaller neighborhoods were combined with nearby smaller neighborhoods that had similar characteristics and multipliers, to produce larger neighborhoods. By combining neighborhoods, a larger pool of sales was available versus having a handful of sales to use in the smaller neighborhoods.

The following is a summary list of neighborhoods, by township, combined for 2008:

Total Neighborhoods combined and inactivated: Lockhart Twp. (1); Jefferson Twp. (4); Marion

Twp. (1); Monroe Twp. (1); Monroe/ Spurgeon Town (2); Patoka Twp/ Winslow Town. (3); Washington Twp. (1); Washington Twp/ Petersburg (2).

**During 2009, additional neighborhoods were combined to further reduce over-stratification:**

Lockhart Township. Combined second commercial neighborhood (#9311) into first commercial neighborhood, (#9310); #9311 inactive for 2009; combined parcels from two residential neighborhoods into larger areas and made the previous neighborhoods inactive for 2009 (1 in Augusta, 1 in Lake Helmerich)

Patoka Township. Eliminated two additional smaller neighborhoods in Winslow and combined parcels from those areas into larger neighborhoods.

Spurgeon (Monroe Township) Combined #9804 into #9801. For 2009 now one residential neighborhood for Spurgeon; #9804 now inactive.

Washington Township. Combined multiple neighborhoods containing platted subdivisions located outside of the Petersburg city limits into one larger neighborhood, #1107.

**Additional Neighborhood Combinations for March 1, 2011**

As part of the 2011 trending project, further neighborhoods have been combined:

Lockhart Township #9302, #9304 and #9313 combined into #9301 (Lockhart Platted);

Logan Township #9402 combined into #9401;

Winslow/ Patoka Township commercial were in 2 neighborhoods, combined into 1.

As part of the ongoing 2012 reassessment and the 2011 land valuation project, various smaller additional neighborhoods will be combined into larger areas. (\* See *attached neighborhood summary file.*) An additional 20% of existing neighborhoods will be consolidated. At the conclusion of the 2012 reassessment there should be at least 50% fewer neighborhoods than at the conclusion of the 2002 reassessment.

**(3) Use of MLS Data.** Due to the small size of the county, and the limited number of real estate offices, the amount of MLS data is extremely limited. Much of the data available online must be obtained from agencies from adjacent counties that have parcels from Pike County listed. However, what data that was available was incorporated into the 2008 trending process and new MLS data was incorporated into the 2009, 2010 and 2011 trending projects. The county has actively used such data for the past 7 years.

**(4) On-Site Inspections.** Various commercial and industrial parcels were rechecked in the field during the 2006 re-trending process, and also during the 2007-2010 trending projects. Several additional commercial and industrial parcels were again inspected for the 2011 project. The rechecks involved verification of data on the property cards, checking current and previous occupancy/use, condition and verification of measurements. This review of commercial properties included all of the commercial and industrial parcels in Lockhart, Marion and Monroe Townships, about 85% of the parcels in Winslow/ Patoka Township, about 35% of Logan, Patoka and Jefferson Townships and about 50 parcels in Petersburg/ Washington Township.

A substantial number of residential parcels were also rechecked during the trending process. The appraisal vendor hired by the county was required to conduct a field review of any residential parcels where the assessed value and sales price differed by at least 20% during the 2006-2010 trending projects. During on-site interviews, the differences were often due to family or forced sales, however dozens of changes were made to property cards due to remodeling, removals, additions and other changes found in the field. This same procedure was used during the 2011 trending project, but the number of parcels/sales inspected was expanded to include almost all sold parcels.

**(5) Disclosure Validation and Verification.** The initial verification and validation of sales disclosures is carried out by the assessor's office staff. The primary method used is by mailing questionnaires concerning the sales to both the sellers and buyers. Follow-up calls are used when no data is returned or when the data on the forms conflicts between buyer and seller

**(6) Revised Land Values.** Land values for each class of property within each neighborhood were reviewed during this trending phase and also during prior trend years. Various land values were deemed to be too low and were changed during the process. This was carried out by either changing the land rate pages within the county's software system or by applying a trending factor to the land. The method used was determined by which would be most appropriate (e.g. if all the land within a subdivided neighborhood was too low then it was adjusted with a trend factor. If only the excess acreage in a neighborhood was deemed too low then it was adjusted through changing rates on the land control page).

**(7) Incorporation of GIS Data.** The county recently obtained a GIS package and has frequently used this new tool as part of the trending process. It should be more helpful during the next general reassessment when it can be used on a more extensive scale. The county has also obtained new aerial photographs that will be incorporated into the reassessment program. These new tools have been much more of an asset for reassessment than trending, especially in identifying coal mine sites and finding omitted or new recreational cabins built in secluded areas.

**(8) Broker/ Appraiser Data.** Due to the limited amount of sales of commercial and industrial property, the county contracted with a local Real Estate Broker in 2007 to obtain written opinion's of value of commercial property along Main Street in Petersburg and of potential industrial sites along Illinois Street in Petersburg/ Washington Township. The county also obtained a narrative from one of the most experienced broker/ appraisers in the county detailing the market conditions found in the Town of Winslow and Patoka Township. This narrative opinion helps document why values of most commercial parcels in Winslow were lowered in 2006 and again in 2007. Since obtaining the data from local appraisers very little activity has occurred in the commercial/ industrial sectors that would significantly impact their findings.

**(9) Income Data.** During the re-trending process, the county assessor obtained rental data on all of the privately owned apartment complexes in the county. That data was incorporated into the review and resulted in limited economic obsolescence adjustments. The number of leased office-retail establishments is extremely low and no rental data was gathered on those properties.

**(10) Updating Cost Tables/ Revising Depreciation.** During the 2006 re-trending process, the cost tables and depreciation were revised on all commercial, industrial and utility parcels in the

county. While this was quite time-consuming during the 2006 re-trend, it helped simplify the updates that were made during the 2007 and 2008 trending.

For the 2006 trending four different cost indexes contained in the Marshall Valuation Service were reviewed, and it was determined that an index or factor of 1.27 (127%) should be applied to the cost tables to update the January 1, 1999 costs to bring them to January 1, 2005 levels. These factors were loaded into the control pages of the county's Proval computer system and each c/i neighborhood was recalculated. Following the recalculation, new physical depreciation numbers were applied and the parcels were reviewed to see which warranted additional obsolescence. Obsolescence amounts were changed only if sales of similar parcels indicated the values were too high or too low.

During the 2007, trending the same procedure was carried out. The only difference being that the new index/ factor was determined to be 1.33 (133%) and the improvements were re-depreciated for January 1, 2006. Once again, in 2008 the same procedure was utilized. The factor used for 2008 was 1.39 (139%) and revised physical depreciation was applied based upon an effective date of January 1, 2007. In 2009 the same procedure was again utilized and a factor of 1.41 (141%) was applied. All parcels subject to this factor were re-depreciated for an effective date of January 1, 2008. The updated cost multiplier was applied to all properties outside of Washington Township/ Petersburg. A large enough sample size was available to apply a trend factor to those parcels.

During the 2010 project, the commercial parcels were not indexed and re-depreciated in prior years. Minor adjustments were made to the land multipliers in some areas. In other areas the commercial were left unchanged...

**(12) Format Revisions.** During the 2007 project, some general changes were made to the previous ratio study format. A sales counter was added to the bottom of each page. Additional columns were added to show 2006 assessed values along with the 2007 assessed values. The adjusted sales price column was split into two columns showing the original sale price and the adjusted sale price. The format was again modified in 2008 to incorporate the county's new 18-digit numbering system and the study was combined into one comprehensive file including statistical summary pages. During the 2010 project, the columns were "rearranged" to more closely mirror the format employed for generating "workbook" reports.

**(13) Residential Vacant Anomaly.** Most of Pike County is typical compared to other small rural counties. One exception to this is Lake Helmerich in Lockhart Township. This is a large development that started in the mid-70's and has never reached its original potential. Lots on the big lake are in short supply and can reach prices between \$10,000 and \$20,000. However, very few off-lake lots were improved and the vast majority are still sitting empty. Sales on these lots can vary between \$100 and \$5,000. There is no established price by the market, and no observable selling pattern. Many of these lots end up on tax sale or go back to the association for failure to pay annual fees. Adding these lots to the ratio study often skews the statistics, and it can also distort studies of percentage value changes over time.

**(14) Initial Reassessment Work.** During the early part of 2009, an initial visual review of all parcels was carried out in Lockhart Township as the beginning stage of the 2012 Reassessment. A large amount of data was corrected on the property cards in this township including property addresses, site description data, inspection records and class codes. In the later part of 2009, fieldwork was completed in Lockhart Township and additional changes were made to improve the accuracy of the property record cards.

After completing Lockhart Township, field inspections of all property were conducted in the Town of Winslow in Patoka Township and the Town of Spurgeon in Monroe Township. Data collection of these two incorporated towns has been completed and the majority of changes made during the field inspections have been updated on the Assessor's computer system.

Since the beginning of 2010 fieldwork and subsequent data entry changes have been carried out in Monroe Township and Marion Township. As of May 2011, about 90% of the data entry changes in these two townships had been completed.

In the fall of 2010, fieldwork began in Patoka Township and Logan Township. As of May 2011, about 60% of the parcels in these two townships had been reviewed and entered. Between 2009 and May 2011, approximately 50% of the parcels in the county have been reviewed and data updated in the county's CAMA system.

**(15) Development of Time Adjustments and Expanding Sales Period.** Due to the small number of parcels and limited sales available in Pike County, the sales period has been expanded to include sales that are up-to 5-years old, depending primarily on the size of the township. Since this has been the practice each year during trending those older sales were already on prior ratio studies so the oldest sales from each pool were eliminated. Footnotes on each ratio study page indicate which sales were used and/ or eliminated.

Developing time adjustment factors to adjust those sales outside of the January 1, 2010 through March 1, 2011 window involved two approaches. The first approach was obtaining opinions of market change from local Realtors and appraisers. These opinions of change varied widely, as did those from appraisers in nearby counties. The second approach used year-over-year sales. The current appraisal vendor utilized by the county has been reviewing sales on an annual basis since the practice of using sales disclosures in the mid-1990's.

The market in the county has flattened in both volume and price. While some areas have seen a large increase in distressed sales, and a drop in sales volume, most areas have stayed rather stable. Demand outside of the towns has been stronger than in-town and prices have held up better for the more rural areas and lakefront areas.

Combining all the available data sources, a nominal time trend factor of 1% was used throughout the county and applied to all property classes for 2006-2008 sales. Sales from 2009 were not time trended. Various real estate professionals described the market as "flat" since 2008, beyond sales for the I-69 right of way.

Since there does not seem to be any direct correlation between home prices and inflation or cost indexes, no inflation index such as the CPI was considered.

**(16) Pooling Sales for Certain Property Classes.** Due to the extremely limited number of commercial and industrial sales within the county, all countywide sales for each of the following classes (industrial vacant, industrial improved, commercial vacant and commercial improved) have been combined to obtain a better representation.

**(17) Combining of Parcels.** During the past two years, the Assessor has been actively combining contiguous parcels where one improvement is situated on more than one parcel. A large number of parcels have been combined in Lockhart, Monroe and Patoka Townships. This will alter the parcel counts in those areas and also result in larger than normal increases or

decreases in assessed values due to the combination of multiple assessments.

**(18) Impact of I-69 Project.** During late 2009, and throughout all of 2010, work began on acquiring property in the north part of the county for the Interstate 69 route that will pass just south of Petersburg in Washington Township. This has had an effect on trending in multiple ways. The biggest impact has been the large number of sales disclosures that the Assessor has received as a result of the State of Indiana purchasing properties for the right-of-way. Other changes will be evident in the workbook report for both March 1, 2011 and March 1, 2012, as the number of exempt properties will increase, while the numbers of residential/ agricultural improved and vacant parcels will drop. With the location finalized and work started there has also been a limited amount of speculator activity to acquire sites near the new interstate.

**(19) Pooling Data in the Northwest Corner of the County.** The northwest corner of Pike County is comprised of three sparsely populated townships – Clay, Logan and Madison. Due to the limited number of sales in these three townships, the sales data for the three were combined to provide an analysis with a larger pool of sales. These townships are contiguous, in the same school district and are very similar in use with a mix of coalmine property and rural residential/ agricultural sites.